

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02

PA-01 PRS-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 FEA-01 INT-05 /091 W

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R 091833Z MAR 76

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 2510

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

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PROTECT PROPRIETARY INFORMATION

E.O. 11652: N/A

TAGS: EINV, ENRG, GY

SUBJECT: WEST INDIES OIL COMPANY NEGOTIATIONS WITH GOG

REF: BRIDGETOWN 369

1. MANAGING DIRECTOR OF WEST INDIES OIL CO. (WIOC) JOHN SCALLY ADVISED GOG TODAY (MARCH 8) THAT WIOC WOULD CEASE DISTRIBUTING POL PRODUCTS IN GUYANA BY JUNE 1. HE MADE TWO OFFERS TO GOG FOR DISPOSAL OF WIOC ASSETS IN GUYANA, WHICH HE STATED ARE VALUED AT ABOUT US DOLS 580,000. FIRST, AN OUTRIGHT SALE TO GOG FOR SEVENTY-FIVE-FIVE PERCENT OF WRITTEN DOWN BOOK VALUE. SECOND, LEASE OF FACILITIES TO GOG FOR TEN YEARS. GOG REPS (MIN TRADE KING AND MIN ENERGY JACK) DID NO RPT NOT REJECT OFFERS OUT OF HAND, BUT SAID QUESTION WOULD BE DISCUSSED AT MARCH 9 CABINET MEETING. FURTHER NEGOTIATING SESSION WITH WIOC SET TENTATIVELY FOR MARCH 24. 2. COMMENT: WIOC HAS STORAGE CAPACITY HERE OF ABOUT 40,000 BARRELS, AND IS SMALLEST PETROLEUM OPERATION IN COUNTRY. SCALLY ADMITTED THAT PERCENT COMPANY (NATOMAS) QUOTE WROTE OFF UNQUOTE ITS GUYANA OPER-
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ATIONS THREE YEARS AGO. HENCE HE IS NOT RPT NOT CONFIDENT THAT

GOG WILL PAY ANYTHING FOR WIOC'S ASSETS, AND WILL BE PLEASANTLY SURPRISED IF NEGOTIATIONS TURN OUT OTHERWISE. WE AGREE WITH THIS ASSESSMENT. ONCE GOG TAKES OVER WIOC'S FACILITIES, IT WILL BE IN POSITION TO STRANGLE OTHER DISTRIBUTORS (ESSO, TEXACO, SHELL) THROUGH PRICE FREEZES AND POSSIBLY HIGHER TAXES. TEXACO MAY BE SINGLED OUT FOR SPECIAL (IN NEGATIVE SENSE) TREATMENT IN VIEW OF ITS PAST POSITION ON REFUELING OF NON-SCHEDULED CUBAN AIRCRAFT. AT RECENT MEETING OF GOG OIL INDUSTRY INQUIRY COMMITTEE WITH EXPATRIATE COMPANIES, LATTER WERE ACCUSED OF WITHHOLDING INFORMATION, AND REPORTING THEIR SALES INACCURATELY. ESSO ESPECIALLY WAS GIVEN THIS HEAVY-HANDED TREATMENT, AND MAY LOSE ITS GUYBAU BUNKER C CONTRACT. (SHELL ALREADY HAS LOST GEC AND BERMINE CONTRACT). IF THIS OCCURS, ESSO IS LIKELY TO CLOSE DOWN ITS GUYANA OPERATION. THUS, GOG BEFORE END OF THIS YEAR MAY DIRECTLY CONTROL WIOC AND ESSO FACILITIES. WE ASSUME GOG, IF THIS COMES TO PASS, WILL ATTEMPT TO OBTAIN POL FROM TRINTOC OR VENEZUELA OR BOTH. PRECEDENT HAS ALREADY BEEN SET ON PURCHASE OF POL BY GOG IN CASE OF GEC AND BERMINE, WHICH BUY DIRECTLY FROM TRINTOC. FYI. ACCORDING TO TEXACO ESTIMATE, WIOC SALES REPRESENT LESS THAN ONE PERCENT OF TOTAL GUYANA MARKET. END FYI.

KREBS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTS, PETROLEUM INDUSTRY, NEGOTIATIONS, CLOSING OF OFFICES, CLOSURE OF OFFICES
Control Number: n/a
Copy: SINGLE
Draft Date: 09 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cahillha
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976GEORGE00486
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760089-0895
From: GEORGETOWN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760381/aaaactjn.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 BRIDGETOWN 369
Review Action: RELEASED, APPROVED
Review Authority: cahillha
Review Comment: n/a
Review Content Flags:
Review Date: 07 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 JUL 2004 by ShawDG>; APPROVED <26 OCT 2004 by cahillha>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: WEST INDIES OIL COMPANY NEGOTIATIONS WITH GOG
TAGS: EINV, ENRG, GY, WEST INDIES OIL COMPANY, (SCALLY, JOHN)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006